



Republican Policy Committee

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Good Deal for Aggies

Farm Bill Critics Totally Miss the Mark

Critics of the 1996 farm bill, S. 1541 introduced by Senators Dole and Lugar, make several claims about its effects. Those charges are refuted below.

- **CLAIM: THE FARM BILL TERMINATES THE GOVERNMENT "SAFETY NET" FOR FARMERS.**
FACT: THE SAFETY NET IS PRESERVED, AND CERTAINTY IS BROUGHT TO THE SUBSIDY PROGRAM.
 - ▶ The loan program, the true "safety-net" aspect of current programs, is maintained by the Lugar-Dole bill.
 - ▶ In the short term, S. 1541 provides more generous subsidy payments than the latest Congressional Budget Office (CBO) estimates of farm program outlays from current law.
 - ▶ In later years, S. 1541 gives producers much greater certainty about their payment streams from the government. This will be particularly beneficial for young farmers seeking credit.
 - ▶ Opponents of set support payments seem to believe that the federal government is better able to manage money than businessmen-farmers.
 - ▶ The fixed-payment concept may, indeed, lead to higher payments in some years than would be the case under the current program. However, when prices are high, production of individual farmers is frequently low. This is when many farmers could use help the most — which fixed payments will provide.
- **CLAIM: BY REPEALING PERMANENT LAW, S. 1541 EFFECTIVELY ENDS FARM PROGRAMS.**
FACT: PERMANENT LAW IS OVER 50 YEARS OLD. S. 1541 IS COMMON-SENSE REFORM.
 - ▶ Permanent law was written in 1938 and 1949, and is unworkable in today's modern and dynamic agriculture. For example, permanent law could cause the price supports for wheat to triple.
 - ▶ Overall, as the Clinton administration admits, the cost of running the farm programs under these outdated laws would total up to \$12 billion.
 - ▶ Permanent law does not recognize the significant change in production patterns and technology since the 1940s. For example, permanent law would force wheat producers to resume the production patterns of the 1940s and 1950s. North Dakota's 1996 wheat allotment would be 3 million acres below its 1995 base acreage. This shift would be sudden and very harmful to U.S. agriculture.
 - ▶ It is time to update and reform agriculture law in the face of today's numerous challenges from markets, weather, and foreign governments, to help, not hurt, our farmers.
 - ▶ Supporters of permanent law admit that it threatens to disrupt supplies, reduce production and inflate prices. It's wrong to force uncertainty and unnecessary costs on America's consumers and taxpayers.

- ▶ Farm programs should, and do, provide stability and security to the nation's food supply. Supporters of permanent law threaten that stability, a hallmark of agriculture policy during the past 50 years.
 - ▶ Maintaining an arcane system of acreage bases and yields, target prices and deficiency payments doesn't justify farm programs for those who say we don't help other small business people the way we do farmers.
 - ▶ Transitioning away from these anachronisms will, however, permit U.S. farmers to produce for the market in an economically and environmentally rational way.
- **CLAIM: DECOUPLED PAYMENTS ARE WELFARE FOR FARMERS.**
FACT: COMMON-SENSE AGRICULTURE REFORM MEANS INDEPENDENCE FOR FARMERS.
 - ▶ Many who make this claim might be interested to know that a lot of urban people think the current program is tantamount to welfare.
 - ▶ According to the CBO, current commodity and export programs are projected to spend about \$49 billion over the next 7 years. Under S. 1541, these programs are projected to spend about \$45 billion over the same period.
 - ▶ S. 1541 only changes the timing of providing these subsidies to farmers, in order to eliminate their counter-productive and profit-limiting effects. A simple timing change of a smaller subsidy does not equate the subsidy to welfare.
 - ▶ Payments under S. 1541 and current law are based on yields that were established in 1985. Payments under S. 1541 and current law are based on a program acreage largely established prior to the 1990 farm bill. Current law allows payments to soar in some years and decline in others. S. 1541 simply levels out these fluctuations and provides a slightly reduced average level of payment that is certain for farmers and taxpayers. A simple change in timing of a smaller subsidy does not amount to welfare.
- **CLAIM: S. 1541 IS NOT ENVIRONMENTALLY FRIENDLY.**
FACT: LUGAR-DOLE PRESERVES ENVIRONMENTAL PROTECTIONS.
 - ▶ Under current law, conservation compliance and swampbuster restrictions are arguably the two key conditions of farm program participation that provide a benefit to society. These requirements reduce erosion and enhance the environment.
 - ▶ No environmental protection is weakened by S. 1541.
- **CLAIM: AGRICULTURE MUST PAY MORE THAN ITS FAIR SHARE FOR DEFICIT REDUCTION.**
FACT: SAVINGS ARE LESS THAN ONE PERCENT OF TOTAL DEFICIT REDUCTION.
 - ▶ According to the Congressional Budget Office, total agriculture outlay savings over seven years total \$4.6 billion, out of a total of \$750 billion in deficit reduction. That's less than one percent!
 - ▶ In addition, some could argue that agriculture has not paid its fair share in the past. Farm program outlays have frequently exceeded what we said they would be in budget bills in 1990 and 1993. For example, the 1990 farm bill was projected to spend just over \$41 billion between 1990 and 1995. After spending reductions were imposed in 1993, the costs of the 1990 farm bill will exceed \$55 billion.
 - ▶ If we pass a status quo farm bill today, farmers will face the uncertainty of additional cuts later this year or in 1997. Accepting the modest reductions of \$4.6 billion today will provide farmers with greater certainty regarding the structure and payments of farm programs in the near future.

Information provided by the Senate Agriculture Committee.

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